

ORANGE TOWNSHIP

Ionia County, Michigan

Financial Statements

And

Independent Auditor's Report

For the Year ended March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ORANGE TOWNSHIP	County IONIA
Fiscal Year End MARCH 31, 2006	Opinion Date SEPTEMBER 25, 2006	Date Audit Report Submitted to State SEPTEMBER 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) LAWRENCE TIEJEMA, PC		Telephone Number 616-642-0384	
Street Address 1187 HAWLEY HIGHWAY		City SARANAC	State MI
		Zip 48881	
Authorizing CPA Signature <i>Lawrence Tiejema, CPA</i>	Printed Name LAWRENCE TIEJEMA		License Number 1101026843

ORANGE TOWNSHIP

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Lawrence Tiejema, PC

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INDEPENDENT AUDITOR'S REPORT

September 25, 2006

The Township Board
Orange Township
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Orange Township, Ionia County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Orange Township, as of March 31, 2006, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated September 25, 2006, on my consideration of Orange Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Orange Township's basic financial statements. The governmental schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Lawrence Tiejema, PC.

September 25, 2006

Management Discussion and Analysis

Orange Township is facing financial challenges related to economic growth without an adequate monetary reserve to build the infrastructure that growth usually requires. However, the Township continues to provide excellent public safety protection, ambulance services, and administrative services. Below is a list of the significant financial events for the year ended March 31, 2006.

Financial Highlights:

- (1) For the year ended March 31, 2006, the Orange Township general fund expended \$9,960 more than the revenue that it collected, leaving fund balance of \$184,082. The remaining net assets represent 14 months of normal yearly township expenditures of \$155,000.
- (2) Orange Township received \$28,277 more in revenues than was projected in the township's original budget. Since revenue sharing had been dropping in previous years, the township board estimated a drop to \$62,800 for the year ending March 31, 2006. However, the township received \$70,240 in state revenue sharing, \$7,440 more than expected. In addition, property tax revenues exceeded the anticipated budget of \$36,700 by \$5,733.
- (3) Road maintenance is a major expense for Orange Township. For the fiscal year just ended, Orange Township spent \$23,497, which consisted of \$11,081 for gravel, \$9,660 for brine, and \$2,756 for brush cutting.
- (4) Berlin and Orange Townships support the Berlin-Orange Fire Department. For fiscal year just ended, Orange Township contributed \$40,000 for fire department operating expenses and over \$11,000 for loan payments on the fire trucks.
- (5) The Township Board has been making plans for the building of a new township hall. In September 2005 the Township Board approved the design/bid/build for a new township hall and hired Architect Chris Briemayer to draw up plans for a fee of \$2,000.
- (6) Orange Township citizens pay a special assessment of \$15 per household for ambulance services. For the year ended March 31, 2006, the Township collected \$5,879 from this assessment and contracted with Life EMS and Portland Ambulance for ambulance services.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Township governments may have activities that are intended to recover all or a significant portion of their costs through user fees and charges. Orange Township has no such activities. All financial resources and expenditures are maintained in the township's governmental funds. The township also has a tax agency fund which collects real and personal property taxes and disburses these tax revenues to the appropriate governmental units including Orange Township's general fund. Through its general fund, Orange Township provides for general government, public safety, public works, planning and zoning, and cemetery. The government-wide financial statements can be found on pages 10-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township adopts an annual appropriated budget. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets. The basic governmental fund financial statements can be found on pages 13-15 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Orange Township has one fiduciary fund, the Tax Agency Fund.

The basic fiduciary fund statements for the tax agency fund can be found on page 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 17-28 of this report.

Orange Township's Net Assets

Governmental Activities

	Year ended March 31, 2006
Current and other assets	193,660
Capital assets	140,794
Total assets	334,454
Long-term liabilities outstanding	
Other liabilities	9,578
Total liabilities	9,578
Net assets:	
Invested in capital assets, net of related debt	140,794
Restricted	
Unrestricted	184,082
Total net assets	324,876

Orange Township has cash and investments of \$187,822. Of this amount, \$41,887 is located in certificates of deposit and designated to upgrade the fire equipment of the Berlin-Orange Fire Department. The remaining current assets of the township consist of prepaid expenses and delinquent taxes receivable from the County of Ionia. Orange Township does not have any general fund debt, but it is obligated to make sufficient payments to the Berlin-Orange Fire Department for the servicing of its fire department debt. The liabilities shown above represent materials and labor that the township used before April 1, 2006 and paid after March 31, 2006.

Orange Township's Changes in Net Assets

Governmental Activities

	Year ended March 31, 2006
Revenue:	
Program revenue:	
Charges for services	6,625
Capital grants and contributions	-
General revenue:	
Property taxes	48,282
State Sources	70,240
Other	16,975
Total revenue	142,122
Expenses:	
General government	54,724
Legislative	5,081
Public safety	70,956
Public works	25,334
Planning and Zoning	7,399
Cemetery	1,960
Total expenses	165,454
Increase (decrease) in net assets	(23,332)
Net assets - beginning of year	348,208
Net assets - end of year	324,876

During the year ended March 31, 2006, the revenues of Orange Township were less than its expenses. In past years, the Township had received between \$20,000 and \$23,000 for road right-of-way of fiber optic cable. When the state law changed, the amount shrank to approximately \$3,000 per year. This revenue drop plus a 5 – 10% drop in revenue sharing revenues have tightened the township's budget. Included in the decrease in net assets shown above is depreciation expense of \$15,430. When this is eliminated, the net loss in cash resources is reduced to \$7,902. The township continues to use a conservative approach to managing expenses to make up for the revenue shortfalls from fiber optic income and state revenue sharing.

Public safety and administration remain the highest items of the operating budget. The wages of the township officers have been rising along with their duties. The Supervisor is spending significantly more time on economic growth issues, the Clerk is spending more time updating the Qualified Voter File and holding elections that now include school districts, and the Treasurer now has two major tax collections – summer and winter.

**Orange Township's Capital Assets
(net of depreciation)**

Governmental Activities

**Year ended
March 31, 2006**

Land	100
Office equipment	3,170
Fire Building	3,250
Fire Equipment	<u>134,274</u>
Total Assets	<u><u>140,794</u></u>

Orange Township has an old township hall that was built around the turn of the century. The remaining township assets consist of a 50% share in the assets of the Berlin-Orange Fire Department and the computer technology of the Clerk and Treasurer. The Township purchased a new computer and printer for the Clerk in the fiscal year ended March 31, 2006. During the prior year, the Township had purchased a computer for the Treasurer.

Orange Township – Future Challenges and Resources

Orange Township's board has attempted to manage its resources conservatively. The board had built up a fiscal reserve before the year April 1, 2005 – March 31, 2006 from the right-of-way assessment fees on fiber-optic cable. This reserve was placed in certificates of deposit for the support of new equipment purchased for the Berlin-Orange Township Fire Department.

Orange Township's western border is the M-66 Corridor, the site of tremendous commercial and residential growth. Managing this growth has required the use of township resources during a period of shrinking revenues. The Berlin-Orange Fire Department for which Orange Township is 50% fiscally responsible has seen a significant increase in its service level. Since the Township Board can see a future period of increasing expenses, it is asking the voters to approve a 1.5 mill levy for 3 years in the upcoming November election for the support of the Berlin-Orange Fire Department. The Township is expecting growth along its eastern boundary near Portland City and Township. Conversation has taken place with those governments to initiate joint planning.

If the fire department millage is passed, the increasing property tax revenues of the growing Orange Township commercial sector will assist in keeping revenues in line with expenditures. With the township board's fiscally sound restraint on expenditures, the Township can remain solvent in the future and can maintain an adequate financial reserve for emergencies and contingencies.

ORANGE TOWNSHIP
STATEMENT OF NET ASSETS

March 31, 2006

	<u>Governmental Activities</u>
Assets	
Cash and deposits	\$ 187,822
Receivables	
Due from other funds	1,896
Taxes receivable	2,970
Prepaid expenses	972
Capital assets, net of accumulated depreciation	<u>140,794</u>
Total Assets	<u>334,454</u>
Liabilities	
Accounts payable	<u>9,578</u>
Total Liabilities	9,578
Net Assets	
Invested in capital assets, net of related debt	140,794
Unrestricted net assets	<u>184,082</u>
Total net assets	<u><u>\$ 324,876</u></u>

The accompanying notes are an integral part of these financial statements.

ORANGE TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Functions/ Programs	Expenses	Program Revenues	Net (Expense) Revenues
		Charges for Service	
Primary government			
Governmental activities:			
General government	\$ 54,724	\$ 4,462	\$ (50,262)
Legislative	5,081		(5,081)
Public safety	70,956		(70,956)
Public works	25,334		(25,334)
Planning and Zoning	7,399	2,163	(5,236)
Cemetery	1,960		(1,960)
Total government activities	\$ 165,454	\$ 6,625	\$ (158,829)

(continued)

The accompanying notes are an integral part of these financial statements.

ORANGE TOWNSHIP
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Governmental Activities</u>
Changes in net assets	
Net (expense) revenue	\$ (158,829)
General revenues:	
Property taxes	48,282
State revenues	70,240
Investment earnings	6,126
Other Income	<u>10,849</u>
Total general revenues	<u>135,497</u>
Change in net assets	(23,332)
Net assets, beginning of year	<u>348,208</u>
Net assets, end of year	<u><u>\$ 324,876</u></u>

(concluded)

The accompanying notes are an integral part of these financial statements.

**ORANGE TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006**

<u>ASSETS</u>	<u>GENERAL FUND</u>
Cash and deposits	\$ 187,822
Receivables:	
Due from other funds	1,896
Taxes receivable	2,970
Prepaid expenses	972
	<u>193,660</u>
TOTAL ASSETS	<u>193,660</u>
<u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES:	
Accounts payable and accrued expenditures:	
Accounts payable	9,578
	<u>9,578</u>
TOTAL LIABILITIES	<u>9,578</u>
FUND BALANCE	
Designated for fire equipment	41,887
Undesignated	142,195
	<u>184,082</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 193,660</u>

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF THE GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

Fund balance -- total governmental funds.....	\$ 184,082
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add -- capital assets.....	299,826
Deduct -- accumulated depreciation.....	(159,032)
Net assets of governmental activities.....	<u>\$ 324,876</u>

The accompanying notes are an integral part of these financial statements.

ORANGE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL FUND
REVENUES:	
Property taxes	\$ 42,403
Special assessment	5,879
State sources	70,240
Charges for services	6,625
Interest	6,126
Other	10,849
	<u>142,122</u>
TOTAL REVENUES	142,122
EXPENDITURES:	
General government	56,012
Legislative	5,081
Public safety	56,296
Public works	25,334
Planning and zoning	7,399
Cemetery	1,960
	<u>152,082</u>
TOTAL EXPENDITURES	152,082
REVENUES OVER EXPENDITURES	<u>(9,960)</u>
NET CHANGE IN FUND BALANCES	(9,960)
FUND BALANCE, BEGINNING OF YEAR	<u>194,042</u>
FUND BALANCE, END OF YEAR	<u>\$ 184,082</u>
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES	
Net change in fund balances -- total government funds.....	\$ (9,960)
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:	
Add -- Capital Assets acquired and expensed by depreciation	2,058
Deduct - depreciation expense.....	(15,430)
Change in net assets of government activities.....	<u><u>\$ (23,332)</u></u>

The accompanying notes are an integral part of these financial statements.

**ORANGE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGETED AMOUNTS			VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Property taxes	\$ 36,700	\$ 36,700	\$ 42,403	\$ 5,703
Special assessment	5,500	5,500	5,879	379
State sources	62,800	62,800	70,240	7,440
Charges for services	5,345	5,345	6,625	1,280
Interest	1,500	1,500	6,126	4,626
Other	2,000	2,000	10,849	8,849
TOTAL REVENUES	113,845	113,845	142,122	28,277
EXPENDITURES				
General government	79,459	80,653	56,012	24,641
Legislative	6,070	6,156	5,081	1,075
Public safety	93,000	93,000	56,296	36,704
Public works	44,867	44,867	25,334	19,533
Planning and zoning	8,980	8,990	7,399	1,591
Cemetery	2,400	2,400	1,960	440
TOTAL EXPENDITURES	234,776	236,066	152,082	83,984
REVENUES OVER (UNDER) EXPENDITURES	(120,931)	(122,221)	(9,960)	112,261
NET CHANGE IN FUND BALANCES	(120,931)	(122,221)	(9,960)	112,261
FUND BALANCE, BEGINNING OF YEAR	194,042	194,042	194,042	-
FUND BALANCE, END OF YEAR	\$ 73,111	\$ 71,821	\$ 184,082	-

The accompanying notes are an integral part of these financial statements.

ORANGE TOWNSHIP

FIDUCIARY FUND

TAX AGENCY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2006

Assets

Cash in bank	\$	1,896
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Liabilities

Due to other funds	\$	1,896
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STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

Receipts

Tax Collections	\$	1,002,769
Interest income		1,752
		<hr/>
Total cash receipts		1,004,521

Disbursements

Tax payments to government agencies		<hr/> 1,003,665
Total cash disbursements		<hr/> 1,003,665

Total receipts over (under) disbursements		856
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Cash balance at the beginning of the year		<hr/> 1,040
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Cash balance at the end of the year	\$	<hr/>1,896
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ORANGE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Orange Township was organized on March 19, 1845, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (fire, ambulance), road maintenance, cemetery, public improvements, planning and zoning, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the a financial report on all funds of Orange Township.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Orange Township has no business-type activities or funds.

ORANGE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Agency funds follow the accrual basis of accounting and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

ORANGE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government fund:

General Fund – This fund is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund type:

Tax Agency Fund – This fund is used to account for property tax collections from real and personal property owners in Orange Township, and the fund’s disbursements to the applicable government entities and agencies.

ORANGE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance in the Statement of Net Assets and the Statement of Activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgets and Budgetary Accounting

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data which is reflected in the financial statements:

1. The budgets are generated with input from various department heads, the township supervisor, clerk, treasurer, and township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end

ORANGE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board. Supplemental budget appropriations were made during the year.
8. Encumbrance accounting is not utilized.

Investments

Investments are stated at fair value.

Restricted Assets

Certain proceeds may be set-aside or restricted for the repayment of debt obligations, a planned capital project, or for any other special purpose. Orange Township has no restrictions on its net assets.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

ORANGE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental funds in the government-wide financial statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Building and structures.....	10 - 40
Furniture and equipment.....	5 - 15
Building and lot improvements.....	15
Trucks and vehicles.....	5
Machinery and equipment.....	5 - 15

Property Taxes

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts and other entities in Ionia County; summer taxes are collected for the school districts and the County of Ionia.

ORANGE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Fund Equity

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent restricted net assets equal to restricted assets less related liabilities. The general fund of Orange Township has designated \$41,887 of its general fund equity for the purchase of new fire equipment for the Berlin-Orange Fire Department.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the Township was covered by a liability and property insurance policy of the Michigan Municipal League Liability and Property Pool.

The insurance limitations are: Property and contents, \$102,345; Liability, \$2,000,000; Crime, \$100,000.

ORANGE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

2. CASH AND DEPOSITS AND INVESTMENTS

The cash and deposits, investments and restricted assets for the Township and its component unit are as follows:

	<u>Governmental Activities</u>	<u>Agency</u>	<u>Total</u>
Deposits:			
Cash and deposits	\$ 145,935	\$ 1,896	\$ 147,831
Investments	<u>41,887</u>	<u>-</u>	<u>41,887</u>
TOTAL	<u>\$ 187,822</u>	<u>\$ 1,896</u>	<u>\$ 189,718</u>

The carrying amount of the Township's deposits at March 31, 2006, was \$187,822. Of these deposits, the Federal Deposit Insurance Corporation insures \$141,887 since its liability insurance is limited to \$100,000 per bank. In accordance with the State of Michigan policy limits, these deposits are all deposited in a Michigan bank. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

Statutory Authority

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after date of purchase.

ORANGE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

4. Banker's acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

All deposit accounts of Orange Township are in Category 1 are listed as follows:

<u>Depository</u>	<u>Account</u>	<u>Amount @ 03/31/05</u>
General Fund:		
Ionia County National Bank	General Fund checking account	\$ 121,249
Ionia County National Bank	General Fund Super Now account	24,686
Fifth Third Bank	Certificates of deposit	41,887
Tax Agency Fund:		
Ionia County National Bank	Operating acct -- Tax Agency Fund	<u>1,896</u>
TOTAL DEPOSITED FUNDS		<u>\$ 189,718</u>

ORANGE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

3. CAPITAL ASSETS

A summary of changes in Capital Assets follows:

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	100			100
Capital assets being depreciated:				
Office equipment	4,168	2,058		6,226
Fire building	20,000			20,000
Fire equipment	273,500			273,500
Total assets being depreciated	297,668	2,058		299,726
Less accumulated depreciation for:				
Office equipment	2,286	770		3,056
Fire building	16,250	500		16,750
Fire equipment	125,066	14,160		139,226
Total	143,602	15,430		159,032
Total capital assets, being depreciated net	154,066			140,694
Governmental activities capital assets, net	154,166			140,794

ORANGE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Depreciation expense was charged to functions/programs of the general government as follows:

Fire department equipment.....	\$ 14,160
Fire department building.....	500
Clerk.....	266
Treasurer.....	<u>504</u>
Total depreciation.....	\$ 15,430

4. CONTRIBUTORY PENSION PLAN

Orange Township contributes to a group pension plan through Edward Jones. All elected officials are eligible. The Township contributes 17% of each official's compensation. No contributions are made by the participants. During the year ended March 31, 2006, the Township contributed \$3,714 for wages paid from January 1, 2005, through December 31, 2005. For the fiscal year ended March 31, 2006, the Township has an accrued pension liability of \$943 based on compensation paid for January through March, 2006.

5. LITIGATION

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

6. ESCROW ACCOUNTS

As of March 31, 2006, Orange Township has one escrow account

ORANGE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

7. DUE FROM (TO) OTHER FUNDS

Amounts due from (to) other funds representing interfund receivable and payable balances at March 31, 2006, are detailed as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	-	\$ 1,896
Tax Agency Fund	\$ 1,896	-

“Due to” and “due from” balances represent amounts in the tax-agency fund which may be transferred into the general fund.

GENERAL FUND

The General Fund is used to account for government resources that are not required legally or by sound financial management to be recorded in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants, and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, Planning and Zoning, and Cemetery.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

**ORANGE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes				
Current property taxes	33,700	33,700	39,433	5,733
Delinquent property taxes	3,000	3,000	2,970	(30)
Special Assessment	5,500	5,500	5,879	379
Total taxes	42,200	42,200	48,282	6,082
State sources				
State revenue sharing	62,000	62,000	70,240	8,240
State fire protection	800	800	0	(800)
	62,800	62,800	70,240	7,440
Charges for services:				
Licenses and Permits	1,345	1,345	2,285	940
Ambulance fees	0	0	1,136	1,136
Telecom	4,000	4,000	3,204	(796)
Total fee revenue	5,345	5,345	6,625	1,280
Investment revenue:				
Interest earnings	1,500	1,500	6,126	4,626
Other revenue	2,000	2,000	10,849	8,849
TOTAL REVENUES	113,845	113,845	142,122	28,277
EXPENDITURES				
General government				
Supervisor	10,600	11,233	10,748	485
Elections	3,300	3,359	307	3,052
Assessor	8,000	8,150	8,150	0
Clerk	18,989	19,341	16,944	2,397
Board of review	1,065	1,065	452	613
Treasurer	12,805	12,805	11,293	1,512
Townhall	16,400	16,400	3,894	12,506
Audit & legal	4,800	4,800	947	3,853
Insurance	3,500	3,500	3,277	223
Total general government	79,459	80,653	56,012	24,641

**ORANGE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Legislative	6,070	6,156	5,081	1,075
Public safety				
Fire department contributions	83,000	83,000	51,000	32,000
Ambulance	10,000	10,000	5,296	4,704
Total public safety	93,000	93,000	56,296	36,704
Public works				
Roads	40,867	40,867	23,497	17,370
Drains	4,000	4,000	1,837	2,163
Total Public Works	44,867	44,867	25,334	19,533
Planning and zoning				
Zoning administrator	7,000	7,000	6,042	958
Zoning board of appeals	710	710	355	355
Planning commission	1,270	1,280	1,002	278
Total Planning and Zoning	8,980	8,990	7,399	1,591
Cemetery	2,400	2,400	1,960	440
Contingency	10,000	8,710	0	8,710
TOTAL EXPENDITURES	234,776	236,066	152,082	83,984
REVENUES OVER (UNDER) EXPENDITURES	(120,931)	(122,221)	(9,960)	112,261
NET CHANGE IN FUND BALANCES	(120,931)	(122,221)	(9,960)	112,261
FUND BALANCE, BEGINNING OF YEAR	194,042	194,042	194,042	-
FUND BALANCE, END OF YEAR	73,111	71,821	184,082	-

TAX AGENCY FUND

The Orange Township Tax Agency Fund collects all personal and real property taxes assessed on real and personal property in the township. It disburses these funds to the appropriate governmental entities including school districts, the County of Ionia, and the Township's general fund.

ORANGE TOWNSHIP
TAX AGENCY FUNDS
RECEIPTS AND DISBURSEMENTS BY MONTH
FOR THE YEAR ENDED MARCH 31, 2006

PERIOD	OPENING BALANCE	RECEIPTS	INTEREST	DISBURSE- MENTS	CLOSING BALANCE
APRIL 05	\$ 1,039.63	\$ 3,043.45	\$ 9.67	\$ 3,043.45	\$ 1,049.30
MAY 05	1,049.30		10.77		1,060.07
JUNE 05	1,060.07	9,666.93	10.46		10,737.46
JULY 05	10,737.46	33,536.06	30.83	43,420.80	883.55
AUGUST 05	883.55	37,750.72	61.24	36,719.73	1,975.78
SEPTEMBER 05	1,975.78	152,001.34	200.87	147,371.00	6,806.99
OCTOBER 05	6,806.99	3,988.25	24.34	1,725.36	9,094.22
NOVEMBER 05	9,094.22	1,470.51	26.87	3,103.28	7,488.32
DECEMBER 05	7,488.32	385,196.47	219.87	387,570.15	5,334.51
JANUARY 06	5,334.51	116,368.62	131.26	54,235.14	67,599.25
FEBRUARY 06	67,599.25	239,510.14	432.00	325,066.56	(17,525.17)
MARCH 06	(17,525.17)	20,236.74	593.60	1,409.21	1,895.96
TOTALS		1,002,769.23	1,751.78	1,003,664.68	

Lawrence Tiejema, PC

Certified Public Accountant

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

September 25, 2006

The Township Board
Orange Township
Ionia County, Michigan

I have audited the financial statements of the governmental activities and the aggregate remaining fund information of the Township of Orange, State of Michigan, as of and for the year ended March 31, 2006, which collectively comprise Orange Township's basic financial statements and have issued a report thereon dated September 25, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Orange Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orange Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lawrence Tiejema, PC.

September 25, 2006

Lawrence Tiejema, PC

Certified Public Accountant

1187 Hawley Highway

Saranac, MI 48881

Phone: 616-642-0384

Fax: 616-642-0610

Email: tiej@iserv.net

September 27, 2006

Orange Township Board
% Mary McNally, Clerk
1310 East David Highway
Ionia, MI 48846

To the Board of Orange Township:

You may refer to my report on internal control over financial reporting and compliance with laws and established accounting procedures. The letter states that I noted no matters involving internal control of financial reporting that would be considered material weaknesses. The following comments are not made to express an opinion on internal control but to point out some controls and procedures that are serving Orange Township well.

- (1) The Treasurer keeps the bank records on Quickbooks and reconciles them monthly. The use of Quickbooks provides an excellent record of all revenue transactions which can be traced to the receipt books and bank statements.
- (2) The Clerk's record of expense transactions is very complete and allows her to access the support documents of any transaction in a very efficient manner.
- (3) The supervisor and other members of the board are active in monitoring the budget to actual expenditures. The financial planning of the Supervisor provided good background for his Management Discussion and Analysis.

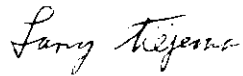
In addition, I noted two issues regarding revenue and related-party transactions that could improve the accuracy of your financial records.

- (1) The revenue records of the Clerk did not match the revenue records of the Treasurer. While the revenue totals for the general fund were in agreement, many revenue account totals of the Clerk were in error. This can be corrected by having the treasurer provide the Clerk with a copy of all receipts and bank statements so that the clerk can reconcile her records to them.

- (2) The Clerk did not have complete records of the Berlin-Orange Fire Department even though Orange Township is responsible for providing 50 % of the funds for the debt service and operational expenses of the fire department. The Orange Township Board should designate a person who will maintain a copy of all the pertinent records of the Berlin-Orange Fire Department including the following: (1) Copy of the debt instruments; (2) Copy of the amortization schedules on debt outstanding including records of the current balance due; (3) A periodic list of all bills for operational expense; (4) Copy of the most recent income statement. The maintenance and review of all pertinent financial documents of the Berlin-Orange Township is a vital function of the Orange Township Board. It provides the internal control that protects the financial resources of the Township while providing the information needed when citizens make legitimate inquiries.

If you have any questions regarding these comments and suggestions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Larry Tiejema".

Larry Tiejema, CPA